

AMENDED IN SENATE JUNE 26, 2006

AMENDED IN SENATE JUNE 12, 2006

AMENDED IN ASSEMBLY MAY 2, 2006

AMENDED IN ASSEMBLY APRIL 6, 2006

CALIFORNIA LEGISLATURE—2005–06 REGULAR SESSION

**ASSEMBLY BILL**

**No. 2889**

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**Introduced by Assembly Member Frommer**

February 24, 2006

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An act to add Section 1374.18 to the Health and Safety Code, and to add Section 10119.1 to the Insurance Code, relating to health care coverage.

LEGISLATIVE COUNSEL'S DIGEST

AB 2889, as amended, Frommer. Health care coverage: individual market.

Existing law, the Knox-Keene Health Care Service Plan Act of 1975 (the Knox-Keene Act), provides for the licensure and regulation of health care service plans by the Department of Managed Health Care and makes a willful violation of the act a crime. Existing law also provides for the regulation of health insurers by the Department of Insurance. Under existing law, a health care service plan and a health insurer are required to include specified coverage provisions in their plan contracts and policies.

This bill would require a health care service plan and a health insurer to permit *at least once each year*, an individual who has been covered for at least 18 months under an individual plan contract issued by the health care service plan or an individual health benefit plan

issued by the insurer to transfer, without medical underwriting, as defined, to another individual plan contract or individual health benefit plan ~~having an equal or greater share of cost~~ offered by the health care service plan or insurer *having equal or lesser benefits, as specified. The bill would specify that these requirements do not apply with respect to a federally eligible defined individual enrolled in certain health care coverage.*

Because the bill would specify additional requirements under the Knox-Keene Act, the violation of which could be a crime, it would impose a state-mandated local program.

The California Constitution requires the state to reimburse local agencies and school districts for certain costs mandated by the state. Statutory provisions establish procedures for making that reimbursement.

This bill would provide that no reimbursement is required by this act for a specified reason.

Vote: majority. Appropriation: no. Fiscal committee: yes.  
State-mandated local program: yes.

*The people of the State of California do enact as follows:*

1 SECTION 1. Section 1374.18 is added to the Health and  
2 Safety Code, to read:  
3 1374.18. (a) This section shall apply to a health care service  
4 plan that provides coverage under an individual plan contract that  
5 is issued, amended, delivered, or renewed on or after January 1,  
6 2007.  
7 (b) ~~The~~ (1) *At least once each year, the health care service*  
8 *plan shall permit an individual who has been covered for at least*  
9 *18 months under an individual plan contract to transfer, without*  
10 *medical underwriting, as defined in subdivision (c), to any other*  
11 *individual plan contract to any other individual plan*  
12 *contract* offered by that same health care service plan that  
13 provides equal or lesser benefits, ~~as defined in subdivision (c).~~  
14 (c) ~~The following definitions apply for the purposes of this~~  
15 ~~section:~~  
16 (1) ~~“Equal or lesser benefits” means that the new individual~~  
17 ~~plan contract requires an equal or greater share of cost from the~~  
18 ~~individual than the individual plan contract from which the~~  
19 ~~individual transferred; as determined by the plan. The plan shall~~

1 *establish for this purpose a ranking of the benefit plans it offers*  
2 *to individual purchasers and file it with the department. The plan*  
3 *shall update the ranking whenever a new benefit design for*  
4 *individual purchasers is approved.*

5 (2) “Without medical underwriting” means that the health care  
6 service plan shall not decline to offer coverage to, or deny  
7 enrollment of, the individual or impose any preexisting condition  
8 exclusion on the individual.

9 (c) *The requirements of this section shall not apply with*  
10 *respect to a federally eligible defined individual, as defined in*  
11 *subdivision (c) of Section 1399.801, who is enrolled in an*  
12 *individual health benefit plan contract offered pursuant to*  
13 *Section 1366.35.*

14 SEC. 2. Section 10119.1 is added to the Insurance Code, to  
15 read:

16 10119.1. (a) This section shall apply to a health insurer that  
17 covers hospital, medical, or surgical expenses under an  
18 individual health benefit plan, as defined in subdivision (a) of  
19 Section 10198.6, that is issued, amended, renewed, or delivered  
20 on or after January 1, 2007.

21 (b) ~~A(1) At least once each year, a health insurer shall permit~~  
22 ~~an individual who has been covered for at least 18 months under~~  
23 ~~an individual health benefit plan to transfer, without medical~~  
24 ~~underwriting, as defined in subdivision (e), to any other~~  
25 ~~individual health benefit plan offered by that same health insurer~~  
26 ~~that provides equal or lesser benefits, as defined in subdivision~~  
27 ~~(e).~~

28 ~~(e) The following definitions apply for the purposes of this~~  
29 ~~section:~~

30 ~~(1) “Equal or lesser benefits” means that the new individual~~  
31 ~~health benefit plan requires an equal or greater share of cost from~~  
32 ~~the individual than the individual health benefit plan from which~~  
33 ~~the individual transferred. benefits as determined by the insurer.~~  
34 ~~The insurer shall establish for this purpose a ranking of the~~  
35 ~~individual benefit plans it offers to individual purchasers and file~~  
36 ~~it with the department. The insurer shall update the ranking~~  
37 ~~whenever a new benefit design for individual purchasers is~~  
38 ~~approved.~~

39 (2) “Without medical underwriting” means that the health  
40 insurer shall not decline to offer coverage to, or deny enrollment

1 of, the individual or impose any preexisting condition exclusion  
2 on the individual.

3 *(c) The requirements of this section shall not apply with*  
4 *respect to a federally eligible defined individual, as defined in*  
5 *subdivision (e) of Section 10900, who purchases individual*  
6 *coverage pursuant to Section 10785.*

7 SEC. 3. No reimbursement is required by this act pursuant to  
8 Section 6 of Article XIII B of the California Constitution because  
9 the only costs that may be incurred by a local agency or school  
10 district will be incurred because this act creates a new crime or  
11 infraction, eliminates a crime or infraction, or changes the  
12 penalty for a crime or infraction, within the meaning of Section  
13 17556 of the Government Code, or changes the definition of a  
14 crime within the meaning of Section 6 of Article XIII B of the  
15 California Constitution.